

Building Materials

ESG Assessment Of Malaysia's Cement Sector

Highlights

- **Regional leaders advance.** Siam Cement (4.6) and Semen Indonesia (4.1) lead with SBTi validation, higher TSR, WHR, and renewable adoption.
- **Malaysia catching up.** Malayan Cement (3.8) shows progress with ECO products, WHR units and co-processing, while Hume Cement Industries (3.5) is gradually strengthening its ESG profile with biodiversity efforts, PFA and GGBS, and WHR feasibility studies.
- **Maintain OVERWEIGHT.** Despite lagging behind peers in disclosure maturity, Malaysia's cement sector outlook remains strong with stable ASP and mega projects (MRT3, Penang LRT). **Top pick: HUME.**

Analysis

- **Peer universe.** Only two pure-play cement companies are listed in Malaysia: Hume Cement Industries (HUME) and Malayan Cement (MCEMENT). For broader ASEAN benchmarking, we also include Siam Cement (SCC) (Thailand) and Semen Indonesia (SIG) (Indonesia). Together, these four players provide a representative view of ESG maturity across both small and large regional cement producers.
- **Cement-specific ESG framework.** We assessed ESG competency across 12 dimensions tailored to cement's material issues. For environmental factors, this includes greenhouse gas (GHG) emissions, clinker factor, thermal substitution rate (TSR)/alternative fuels, and renewable energy/waste heat recovery (WHR). Social factors cover safety, diversity, training, and community engagement. Governance focuses on ESG structures, assurance, reporting alignment, and compliance.
- **Scoring approach.** Each company was scored 1.0-5.0 based on our assessment method, using only publicly available data from their most recent annual and sustainability reports. Higher scores were awarded for quantified disclosures, independent assurance, and alignment with international standards (GRI, TCFD, ISSB, SBTi). Lower scores reflect limited metrics or qualitative-only commitments.
- **Regional leaders:** Siam Cement (4.6) and Semen Indonesia (4.1) are well ahead, with measurable climate targets, transparent disclosures, and external assurance. In Malaysia, Malayan Cement (3.8) is catching up, supported by investments in WHR, ECO-labelled products, and large-scale co-processing, which are helping narrow the gap with regional peers.
- **Smaller player building up.** Hume Cement (3.5) remains at an early stage of ESG integration. The company has recognised climate transition risks, initiated feasibility studies on WHR, and begun adopting alternative raw materials while carrying out biodiversity programmes at quarry sites. These efforts point toward improving momentum, even if disclosures and quantified metrics remain limited for now.

Peer Comparison

Company	Ticker	Rec*	Price 29 Sep 25	Target Price (\$)	Upside To TP (%)	Last Year End	2024* (x)	PE 2025E (x)	2026E (x)	Yield 2025E (%)	ROE 2025E (%)
Hume Cement	HUME MK	BUY	RM3.65	4.38	20.0	6/25	13.5	12.4	11.7	3.2	24.8
Malayan Cement	LMC MK	-	RM6.95	-	-	6/25	19.4	15.7	15.0	1.8	9.1
Siam Cement	SCC TB	BUY	Bt228	Bt290	27.2	12/24	70.8	35.8	15.8	2.2	4.0
Semen Indonesia	SMGR IJ	SELL	Rp2,880	Rp2,540	(11.8)	12/24	75.9	32.8	27.2	1.0	1.4

*based on the last financial year end
Source: UOB Kay Hian

OVERWEIGHT (Maintained)

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Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Hume Cement	HUME MK	BUY	3.65	4.38

Source: UOB Kay Hian

Summary Of ESG Scorecard

Company	Environmental	Social	Governance	Avg. Blended
Hume Cement	3.5	3.5	3.5	3.5
Malayan Cement	3.8	3.4	4.0	3.8
Siam Cement	4.9	4.4	4.5	4.6
Semen Indonesia	4.1	4.0	4.1	4.1

Source: UOB Kay Hian

- **Hume Cement Industries (HUME)** – Score: 3.5. A smaller cement player in Malaysia, HUME's ESG disclosure is still developing. Current initiatives include biodiversity restoration at quarry sites, the use of alternative raw materials such as pulverised fly ash (PFA) and ground granulated blast furnace slag (GGBS), and feasibility studies on WHR to enhance energy efficiency. While quantitative reporting is limited, HUME has acknowledged both transition and physical climate risks. Its ESG efforts are building up gradually, reflecting its smaller scale but growing ambition.
- **Malayan Cement (MCEMENT)** – Score: 3.8. As Malaysia's largest cement producer, MCEMENT has made tangible progress with circular economy practices, operating two WHR units, and launching ECO-branded cement products. It recycled and co-processed nearly 1m tonnes of waste in FY24, reduced CO₂ intensity to 654 kg/t, and is expanding renewable energy adoption. ESG governance is formalised, with partial external assurance and International Sustainability Standards Board (ISSB) preparation underway.
- **Siam Cement (SCC)** – Score: 4.6. As Thailand's cement leader, it serves as a regional benchmark. SCC has committed to Net Zero by 2050 with Science Based Targets initiative (SBTi) validation, reports comprehensive emissions data, and has already achieved significant reductions since 2020. Its operations integrate high thermal substitution rate (TSR) levels, large-scale WHR, renewable energy adoption, and product innovation in green building materials. Governance is robust, with board oversight and extensive external assurance.
- **Semen Indonesia Group (SIG)** – Score: 4.1. As Indonesia's dominant cement producer, it discloses Scope 1 and Scope 2 emissions intensities (570 kg and 56 kg CO₂ per ton of cementitious product, respectively) and is actively scaling TSR via refuse-derived fuel (RDF) partnerships with municipalities. Solar photovoltaic (PV) adoption is expanding, and its governance framework is aligned with Global Reporting Initiative (GRI) and ISSB standards and backed by external assurance. Community partnerships, particularly around waste management, are a strong feature of its ESG profile.

Scoring Scale (1.0-5.0)

Score	Description
5.0	Industry-leading, measurable impact, third-party assured
4.0 – 4.9	Strong disclosures, targets in place, partial assurance
3.0 – 3.9	Moderate maturity, qualitative initiatives, some metrics
2.0 – 2.9	Ad hoc practices, weak quantification or governance
1.0-1.9	Minimal or no disclosure; immaterial focus

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT on the Malaysia cement sector.** Despite ESG practices lagging slightly behind regional peers, the sector's prospects remain strong, underpinned by stable ASP and a strengthening pipeline of mega infrastructure projects such as MRT3 and Penang LRT. That said, we highlight the limited near-term upside for Malaysian cement stocks following the recent strong rally. Additionally, the potential introduction of a carbon tax in the upcoming Budget 2025 poses a risk.
- We continue to favour **Hume Cement** for its above-industry average margins, supported by healthy utilisation rates and better cost management. Beyond earnings, there is also capital management potential given that Hume is currently in a net cash position. **Maintain BUY with an unchanged target price of RM4.38**, based on 15x 2026F PE, which is lower than the industry's 2011-13 average PE of 19x, prior to an earnings disappointment in 2017.

ESG Scorecard With Ratings

Dimension	Hume Cement	Malayan Cement	Siam Cement	Semen Indonesia
GHG Emissions (Scope 1 & 2)	3.5	3.5	5.0	4.5
Clinker Factor & Alternative Materials	3.5	3.5	4.5	4.0
Thermal Substitution Rate (TSR/AF)	3.5	4.0	5.0	4.0
Renewable Energy & WHR	3.5	4.0	5.0	4.0
Environmental score average	3.5	3.8	4.9	4.1
Workforce Safety & Health	3.5	3.5	4.5	4.0
Workforce Diversity (Leadership)	3.5	3.0	4.0	4.0
Employee Training & Development	3.5	3.5	4.5	4.0
Community Impact & Engagement	3.5	3.5	4.5	4.0
Social score average	3.5	3.4	4.4	4.0
ESG Governance Structure	3.5	4.0	4.5	4.0
External ESG Assurance & Recognition	3.5	4.0	4.5	4.0
Sustainability Reporting Alignment	3.5	4.0	5.0	4.5
Business Ethics & Compliance	3.5	4.0	4.0	4.0
Governance score average	3.5	4.0	4.5	4.1
Average ESG Score	3.5	3.8	4.6	4.1

Source: UOB Kay Hian

Full ESG Scorecard

Dimension	Hume Cement	Malayan Cement	Siam Cement	Semen Indonesia
GHG Emissions (Scope 1 & 2)	Acknowledges carbon pricing and climate risks, but no quantified baseline.	Reports CO ₂ intensity at 654 kg/t; partial Scope 1 & 2 disclosure.	Comprehensive reporting; SBTi validated; 25.6% cut since 2020.	Transparent Scope 1 (570 kg/t) & Scope 2 (56 kg/t); aligned with SBTi.
Clinker Factor & Alternative Materials	Mentions use of PFA/GGBS; limited data.	Clinker factor at 72.2% with 2030 reduction target.	Advanced clinker substitution; limestone/AR widely used.	Reports clinker substitution; pozzolana utilisation disclosed.
Thermal Substitution Rate (TSR/AF)	Explores AF (tyres, biomass); no TSR % disclosed.	TSR 6.8% in 2023; target to grow by 2030.	High TSR adoption; multiple RDF projects.	Scaling RDF with municipalities; TSR rising.
Renewable Energy & WHR	Exploring WHR feasibility; no installed capacity.	Two WHR units (one testing); solar PV installed.	Large WHR base; solar adoption; zero-coal vision.	WHR in some plants; solar rollout ongoing.
Workforce Safety & Health	Safety framework present; no LTIFR metrics.	Improved disclosures; safety training in place.	Comprehensive metrics disclosed; certified systems.	ISO 45001 certified; TRIR reported.
Workforce Diversity	Commitment mentioned; no gender data.	DEI policy exists; limited data.	20% women in leadership; structured DEI.	Reports gender/diversity; women in management.
Employee Training & Development	Training noted but hours not disclosed.	Cement Academy; partial reporting.	>1m training hours; global programmes.	Reports training hours; structured programmes.
Community Impact & Engagement	Biodiversity and CSR at quarry sites.	CSR campaigns, recycling events disclosed.	Strong SME and community programmes.	RDF partnerships; water & CSR projects.
ESG Governance Structure	Board oversight; limited detail.	Board ESG committee in place.	Board-level sustainability committee.	Risk & Sustainability Committee oversees ESG.
External ESG Assurance & Recognition	No assurance; limited recognition.	Partial assurance; FTSE4Good Bursa member.	Assurance + ESG index inclusions.	Externally assured; included in ESG indices.
Sustainability Reporting Alignment	References GRI; no ISSB/TCFD.	GRI aligned; ISSB prep underway.	GRI, SASB, TCFD, ISSB, SBTi validated.	GRI/ISSB aligned; TCFD referenced.
Business Ethics & Compliance	Code of conduct disclosed; minimal detail.	Governance codes, ethics training disclosed.	Comprehensive anti-bribery; supplier due diligence.	Anti-corruption measures; supply chain compliance.

Notes: GRI = Global Reporting Initiative; TCFD = Task Force on Climate-related Financial Disclosures; ISSB = International Sustainability Standards Board; SBTi = Science-Based Targets initiative; TSR = Thermal Substitution Rate; WHR = Waste Heat Recovery.

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